

## Ex-Im Bank Financing Products

In pursuit of its mission of maximizing support for U.S. exports by matching foreign competition and filling financing gaps, Ex-Im Bank offers 4 financial products: loans, guarantees, working capital guarantees, and insurance. Brief descriptions of these products follow.

**Loans:** Ex-Im Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. Ex-Im Bank will consider extending to a company's foreign customer a fixed-rate loan covering up to 85% of the U.S. export value. The buyer must make a cash payment to the U.S. exporter of at least 15% of the U.S. export value.

**Guarantees:** Ex-Im Bank guarantees, which commit the full faith and credit of the U.S. government, cover the repayment risks on the foreign buyer's debt obligations. Ex-Im Bank guarantees to a lender that, in the event of a payment default by the borrower, it will repay to the lender the outstanding principal and interest on the loan. Ex-Im Bank's comprehensive guarantee covers 100% of the commercial and political risks for 85% of the U.S. export value. Guarantees covering only specified political risks are also available.

**Working Capital Guarantees:** Under the Working Capital Guarantee program, Ex-Im Bank provides repayment guarantees to lenders on secured, *short-term* working capital loans made to qualified exporters. The guarantee may be approved for a single loan or a revolving line of credit. If the exporter defaults on the loan, Ex-Im Bank will cover 90% of the principal of the loan and interest if the lender has met all the terms and conditions of Ex-Im Bank's guarantee agreement. This program protects only the lender from default by the exporter. It does not cover the exporter should the foreign buyer default in its payment.

**Insurance:** Ex-Im Bank's export credit insurance program helps U.S. exporters sell their goods overseas by protecting them against the risk of foreign buyer or other foreign debtor default for political or commercial reasons, allowing them to extend credit to their international customers. Ex-Im Bank has tailored its insurance policies to meet the insurance needs of exporters and financial institutions. Insurance policies may apply to shipments to one buyer or many buyers, insure comprehensive (commercial and political) credit risks or only specific political risks, or cover *short-term* or *medium-term* sales.

Transaction Totals					
	FY96	FY97	FY98	FY99	FY00*
<i>Loan Program</i>	38	17	5	16	8
<i>Guarantee Program</i>	184	268	220	195	259
<i>Working Capital Program</i>	286	332	275	330	361
<i>Insurance Program</i>	1,914	1,731	1,692	1,682	1,901

Authorization Totals					
<i>(in millions of dollars)</i>	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00*</b>
<i>Loan Program</i>	1,236.3	1,548.9	102.6	902.7	932.6
<i>Guarantee Program</i>	6,035.5	7,317.0	5,762.0	7,883.1	7,825.1
<i>Working Capital Program</i>	377.8	443.3	387.7	415.9	588.3
<i>Insurance Program</i>	3,868.1	2,848.8	4,296.3	3,865.9	3,291.1

Amount of Program Budget Used					
<i>(in millions of dollars)</i>	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00*</b>
<i>Loan Program</i>	98.3	43.7	16.5	53.0	11.7
<i>Guarantee Program</i>	607.1	649.4	559.2	537.1	789.6
<i>Working Capital Program</i>	9.4	12.2	11.2	12.3	17.3
<i>Insurance Program</i>	155.2	105.5	129.8	53.4	83.5

## Linkage Between Ex-Im Bank Products and Ex-Im Bank Strategic Goals

Ex-Im Bank's financing products are designed to address two of its strategic goals. Specifically, the products address the goal of matching financing support for transactions facing competition and providing financing support for exports that cannot obtain private market financing. Therefore, as long as Ex-Im Bank's financing products provide financing support to both categories of transactions, the goals are being met. In other words, Ex-Im Bank does not need specialized products for each goal; one product could meet both goals.

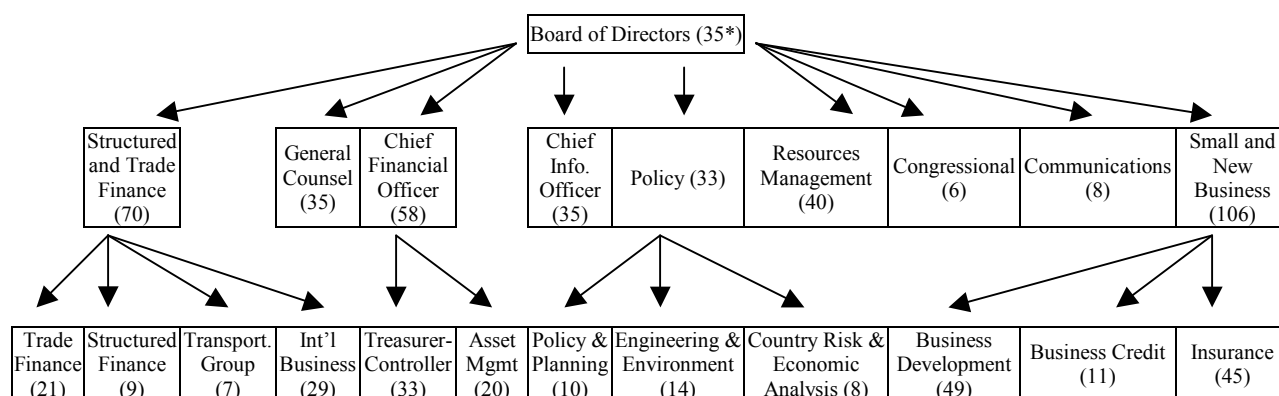
Goal 1, Match Foreign Competition: By design, Ex-Im Bank's Loan, Guarantee, and Insurance products conform to the OECD guidelines on export credit finance support. Thus, in those areas that are subject to the guidelines (such as maximum allowable repayment terms, minimum interest rates, and minimum risk/exposure fees) Ex-Im Bank's products are competitive. Ex-Im Bank is not competitive in several policy areas (such as foreign content requirements and environmental impact reviews), but these policies are broad based and affect all three financing products.

Goal 3, Filling Financing Gaps: All four of Ex-Im Bank's products (Loan, Guarantee, ***Working Capital*** Guarantee, and Insurance) can be used to fill financing gaps. The key to doing that is eligibility testing of applicants. Ex-Im Bank establishes definitions of transactions that generally cannot obtain financing as a result of a financing gap. These definitions include transactions in ***high-risk markets*** (i.e., non-investment grade markets, specifically a risk-level 5 or higher in the U.S. government ***Interagency Country Risk Assessment System***) and transactions with small U.S. exporters (as defined by the ***Small Business Administration***).

When an application for a financing product is received, it is reviewed to determine if it is facing an officially supported competitive offer or if it is unable to access private market financing, per the definitions described above. If it meets one of the two goals, Ex-Im Bank then proceeds to perform a financial and policy review of the transaction to further determine eligibility for Ex-Im Bank financing support.

## Ex-Im Bank's Functional Organization

Rather than organizing itself based on strategic goals or financial product offerings, Ex-Im Bank is organized by customers served. The agency believes that this organizational structure allows the agency to improve customer service and agency effectiveness.



## Allocation of FTES

Of the FTES shown in this chart (as indicated by the number in parentheses), 233 are allocated directly to the five strategic goals of Ex-Im Bank. Another 63 are responsible for administering Ex-Im Bank's programs or providing services necessary to analyze a case (for example the Asset Management division administers Ex-Im Bank transactions and the Country Risk and Economic Analysis division assesses the risk of loss of the different countries Ex-Im Bank has business with.) 70 FTES are required to keep the Bank running (i.e., the services required from our Resource Management and Treasurer-Controller offices). The remaining 60 FTES are used for Bank management, direction, planning, evaluation, etc.

\* Ex-Im Bank has allocated to the Board of Directors 12 slots for a new employee training class. The class (which will average 10 – 12 employees) will spend a year rotating throughout the offices of the Bank. At the end of the year's training program, the employees will fill vacancies in the various divisions and a new class will be hired.

**Ex-Im Bank Credit Divisions by Product**

Loans

- Structured Finance
- Trade Finance
- Transportation

Guarantees

- Structured Finance
- Trade Finance
- Transportation

Working Capital Guarantee

- Business Credit

Insurance

- Insurance

**Ex-Im Bank Annual Performance Goals by Ex-Im Bank Division**

Business Credit:	3.1,	3.2			
Business Development:		5.1,	5.2,		
Chief Financial Officer:		4.1			
Chief Information Officer:	4.2				
Insurance:	3.1,	3.3			
Policy (P&P and E&E):		2.1,	2.2,	3.5	
Resource Management:		4.3			
Structured Finance:	1.2,	3.4,	3.5		
Trade Finance:		1.1,	3.1,	3.4,	3.5
Transportation Group:	1.3,	2.2,	3.4		

## Glossary of Terms

**Additional:** Additional exports are those export items that would not have taken place without U.S. government assistance.

**Airbus:** The European large aircraft manufacturer. It is a consortia comprised of aircraft manufacturing firms from the United Kingdom, Germany, and France.

**Budget cost level:** An indication of the riskiness of individual transactions supported by Ex-Im Bank. The system Ex-Im Bank uses to determine a budget cost level is approved by OMB and is used to determine the likelihood of default in Ex-Im Bank's subsidy model. The subsidy model is used to determine the amount of program budget needed for each transaction supported by Ex-Im Bank.

**Common Environmental Guidelines:** Ex-Im Bank currently follows guidelines for minimum acceptable environmental standards in assessing transactions. Other ***export credit agencies*** do not have standards or use different standards. Ex-Im Bank is working to negotiate common environmental guidelines with the foreign ***export credit agencies*** in order level the playing field for U.S. exporters and have only one set of guidelines that are applied to all transactions regardless of the ***export credit agency*** approached.

**Credit Standards:** Ex-Im Bank has developed quantitative and qualitative criteria that must be met in order for Ex-Im Bank to consider approving a transaction. Transactions that meet the credit standards are easily approved, while those that do not meet the standards require additional analysis and evidence of mitigants that reduce the risk of the transaction.

**Export credit agencies:** Nationally-based organizations whose central purpose is to promote national trade objectives by providing financial support for national exports. Ex-Im Bank is the official export credit agency (ECA) of the United States.

**Final Commitment:** A formal authorization of Ex-Im Bank support, it is issued after the buyer has signed a contract with a U.S. supplier.

**High-risk markets:** Those countries that receive a 5 or higher ranking in the Interagency Country Risk Analysis System (***ICRAS***). Through a concordance with the capital market rating system, 5 or higher is considered to be below investment grade.

**ICRAS:** The Interagency Country Risk Assessment System was developed to provide a common standard for country risk assessment for all U.S. government agencies and programs providing cross-border loans, guarantees or insurance. Ex-Im Bank serves as the Secretariat for ICRAS and is responsible for preparing recommendations as to the appropriate rating for each country, as well as producing the documentation supporting these recommendations. The ICRAS working group is chaired by the Office of Management and Budget with representation from the cross-border financing agencies and other interested government organizations.

**LASU Agreement:** The Large Aircraft Sector Understanding is a special agreement between governments who have large aircraft manufacturers. This agreement provides the guidelines for the type of support the government can provide to assist with an export sale.

**Letter of Interest:** A prompt response to a request for export assistance when a sale is being negotiated. A Letter of Interest is not a financial commitment (i.e., non-binding) and a comprehensive analysis is not performed by Ex-Im Bank before it is issued.

**Local cost financing:** The financing of costs provided by local country suppliers (i.e., non-US suppliers).

**Long-term:** Repayment terms of greater than 5 years or the financed portion of the export sale is greater than \$10 million.

**Market Window:** Is an institution (or part of an institution) that provides export finance support, but claims to operate on a commercial basis despite benefiting either directly or indirectly from some level of government support.

**Medium-term:** Repayment terms of 1 to 5 years, exceptionally 7 years, and the financed portion of the export sale is less than or equal to \$10 million.

**Multi-buyer insurance:** Provides insurance coverage to an exporter for their portfolio of receivables from a variety of buyers. These are revolving facilities and cover multiple transactions during a year's time.

**Preliminary Commitment:** Outlines the amount, terms, and conditions of the financial assistance which Ex-Im Bank is prepared to offer for a particular transaction. A PC is used only to enable suppliers to provide financing offers in response to transactions requiring financial or other sensitive issues analysis.

**Project Finance:** The financing of projects that are dependent on the project cash flows for repayment rather than having recourse to a foreign government, financial institution or established corporation.

**SBA:** The Small Business Administration is the U.S. government agency responsible for providing financing assistance to small U.S. companies. This agency has a program to provide financing support for small U.S. exporters.

**Short-term:** Financing terms of 180 days or less, exceptionally 360 days.

**Single-buyer insurance:** Provides insurance coverage to a lender or exporter for the sale of goods or services to one buyer. This typically covers a single transaction.

**U.S. content:** The amount of components and value-added provided by a U.S. domiciled manufacturer.

**Working Capital:** Exporter (or Supplier) financing that is used in the production of the goods or services that the company sells.